

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06
OES-07 SP-02 SS-15 STR-05 TRSE-00 ACDA-07 PA-01
PRS-01 /105 W

-----102961 231031Z /11

R 230812Z SEP 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 5531

INFO AMEMBASSY BANGKOK

AMEMBASSY SINGAPORE

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ENRG, RP

SUBJECT: PROSPECTS OF OIL PRODUCTION IN THE PHILIPPINES

REFS: A. MANILA 12166, B. MANILA 10982

1. SUMMARY. LOCAL PRESS REPORTS PREDICTING OIL PRODUCTION IN THE PHILIPPINES BY 1979 ARE MISLEADING. A CITIES SERVICE SOURCE SAYS NO DEFINITE DECISION TO PRODUCE THE WELL HAS BEEN MADE, BUT A GO-NO-GO DECISION IS EXPECTED BY MID-OCTOBER. IF CITIES SERVICE DOES NOT PRODUCE THE AREA, IT IS VERY PROBABLE THAT SOMEONE ELSE WILL. END SUMMARY.

2. PHILIPPINES-CITIES SERVICE, INCE., ISSUED THE FOLLOWING PRESS RELEASE SIMULTANOUSLY IN MANILA AND THE STATES SEPTEMBER 20 CONCERNING PRODUCTION PLANS FOR ITS SOUTH NIDO I "DISCOVERY WELL" (SEE REFTELS):

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BEGIN QUOTE: CITIES SERVICE COMPANY HAS INFORMED GERONIMO VELASCO, CHAIRMAN, PHILIPPINE ENERGY DEVELOPMENT BOARD, OF AN UNAVOIDABLE DELAY IN A DECISION ON FURTHER ACTIVITY IN THE CALAMIAN GROUP OF ISLANDS, OFFSHORE PALAWAN, REPUBLIC OF THE PHILIPPINES UNTIL COMPLETION OF THE CURRENT EVALUATION OF THE RECENTLY DRILLED SOUTH NIDO WELL AND ADDITIONAL DEVELOPMENT PLANS FOR THE

SOUTH NIDO AREA.

D.L. KASTNER, VICE-PRESIDENT, INTERNATIONAL AREA, CITIES SERVICE COMPANY, TOLD CHAIRMAN VELASCO IN MANILA THAT THE COMPANY IS BEHIND SCHEDULE IN ITS EVALUATION BECAUSE OF DELAY IN PROCESSING RECENTLY COMPLETED SEISMIC DATA.

THESE DATA HAVE INDICATED TWO NEW PROSPECTS, WEST AND NORTH OF THE SOUTH NIDO STRUCUTRE. THIS CURRENT CITIES SERVICE EVALUATION HAS BEEN EXTENDED TO THE SOUTH NIDO AND THE TWO NEW PROSPECTS. ACCURATE EVALUATION OF THE POTENTIAL OF THE SOUTH NIDO COMPLEX WILL REQUIRE MORE LENGTHY ANALYSIS THAN ANTICIPATED. ADDITIONAL EXPLORATORY OR CONFIRMATORY WELLS MAY HAVE TO BE DRILLED TO DETERMINE THE AREA POTENTIAL.

KASTNER HAS SCHEDULED ANOTHER MEETING IN MANILA WITH CHAIRMAN VELASCO FOR MID-OCTOBER. THE PHILIPPINE GOVERNMENT HAS BEEN ASSURED THAT DESPITE THE ABSENCE OF FINAL EVALUATION RESULTS, ENGINEERING FEASIBILITY AND DESIGN WORK FOR PRODUCTION FACILITIES ARE NOW BEING DONE AND CITIES SERVICE IS PROCEEDING TO SOLICIT BIDS FOR MATERIALS AND EQUIPMENT TO AVOID DELAY IN A RPDDUCTION TIMTABLE.

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INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
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INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06
OES-07 SP-02 SS-15 STR-05 TRSE-00 ACDA-07 PA-01
PRS-01 /105 W

-----103692 231030Z /12

R 230812Z SEP 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 5532
INFO AMEMBASSY BANGKOK
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DEVELOPMENT WORK IS ESTIMATED TO LAST APPROXIMATELY EIGHTEEN MONTHS WITH THE POSSIBILITY THAT PRODUCTION COULD BEGIN SOMETIME IN THE SECOND QUARTER OF 1979.

WITH CITIES SERVICE COMPANY AS OPERATOR, OTHERS INCLUDED IN THE PRODUCTION SHARING ARE HUSKY (PHIL.) OIL INCORPORATED, ORIENTAL PETROLEUM AND MINERALS CORPORATION, LANDOIL RESOURCES CORPORATION, BASIC PETROLEUM AND MINERALS INCORPORATED, AND PHILIPPINE-OVERSEAS DRILLING AND OIL DEVELOPMENT CORPORATION. END QUOTE

3. THE LOCAL PRESS HEADLINED THIS NEWS ON SEPTEMBER 21, FIFTH ANNIVERSARY OF MARTIAL LAW THUSLY: BULLETIN - "RP OIL 'BOOM' SEEN IN TWO YEARS," DAILY EXPRESS "PALAWAN OIL PRODUCTION SCHEDULED BARED," TIMES JOURNAL - "RP TO PRODUCE OIL BY 1979?," BUSINESS DAY - "RP OIL PRODUCTION MAY START IN 79."

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4. CITIES SERVICE WAS "ENCOURAGED" BY THE ENERGY DEVELOPMENT BOARD AND THEIR LOCAL PARTNERS TO ISSUE SOME SORT OF STATEMENT ON THE PROGRESS OF ITS EVALUATION OF SOUTH NIDO I TO COINCIDE WITH MARTIAL LAW DAY. WHILE THE PRESS RELEASE IS CAUTIOUSLY WORDED, IT IS APPARENT THAT THE PUBLIC IS CAUTIOUSLY WORDED, IT IS APPARENT THAT THE PUBLIC AND PRESS CAN READ INTO IT WHAT THEY DID - THE PHILIPPINES WILL SOON JOIN THE RANKS OF OIL PRODUCING LDC'S.

5. C.G. BARTHOLOMEW, PRESIDENT OF PHILIPPINES CITIES SERVICE, INC. TOLD EMBOFF THAT THE LOCAL PRESS MISCONSTRUED THE PRESS RELEASE (CITIES OBVIOUSLY MUST HAVE EXPECTED THAT) AND IT IS NOT TRUE THAT CITIES HAS DECIDED TO GO INTO PRODUCTION. HE SAID IT WAS CITIES' INTENT TO STRESS THAT THE SOUTH NIDO I WELL WAS STILL BEING EVALUATED, THERE IS NO GUARANTEE THAT PRODUCTION WILL GO ON, OR EVEN THAT CITIES HAD ANYTHING TO DEVELOP. NO ESTIMATES OF RESERVES WERE GIVEN. IN ANOTHER MONTH CITIES WILL KNOW FOR SURE IF IT PLANS TO GO INTO PRODUCTION. IT IS BARTHOLOMEW'S VIEW HOWEVER, THAT IF HIS FIRM DECIDES IT IS NOT ECONOMIC TO PRODUCE OFFSHORE, THE GOP WILL TAKE OVER THE AREA AND TRY TO INTEREST ANOTHER FOREIGN FIRM IN IT OR DEVELOP IT THEMSELVES.

6. IN RELEATED DEVELOPMENTS - CITIES STARTED DRILL STEM TESTS SEPTEMBER 22 IN THE "GUNTAO" WELL ON AN ADJACENT STRUCUTRE. BARTHOLOMEW SAYS THAT DUE TO DIFFICULTIES DURING DRILLING, CITIES HAS "NO IDEA" WHAT IT IS GOING TO GET. HOWEVER, THE "TRADE TALK", BOTH FILIPINO AND AMERICAN, IS VERY

OPTIMISTIC ABOUT THIS WELL. JOSE DE VENECIA, PRESIDENT
OF LANDOIL PETROLEUM, CITIES LOCAL LARGEST PARTNER,
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CLAIMS CITIES IS PROJECTING A BILLION BARREL
RESERVE UNDER GUNTAO, AND HE IS CALLING PALAWAN "THE NEXT
NORTH SEA." THERE ARE ALSO RELIABLE BUT UNCONFIRMED
REPORTS THAT RECENT DRILL STEM TESTS ON "CADLAO", THE
AMOCO WELL NEARBY OFF PALAWAN, WERE "VERY VERY SUCCESS-
FUL" AND THERE IS "A LOT OF OIL THERE".

7. COMMENT: THERE IS OBVIOUSLY A LOT OF EXCITED TALK
ABOUT OIL IN THE PHILIPPINES - AND THE CHATTER WILL PRO-
BABLY CONTINUE TO GET LOUDER BEFORE ANYTHING IS CONFIRMED
FOR SURE. WE STILL HOLD WITH THE ANALYSIS AND COMMENT
OF REFTTEL A - SOUTH NIDO I AND ALL PAWAWAN EXPLORATION
FOR THAT MATTER IS GOOD NEWS FOR THE PHILIPPINES, AND
EVENTUALLY OIL WILL BE PRODUCED HERE, BUT PROBABLY NOT
BY 1979, END COMMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRODUCTION, PETROLEUM INDUSTRY, DEVELOPMENT PROGRAMS
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 MANILA 12166, 77 MANILA 10982
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1155521
Secure: OPEN
Status: NATIVE
Subject: PROSPECTS OF OIL PRODUCTION IN THE PHILIPPINES
TAGS: ENRG, RP
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/a7facc3e-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009